ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS

December 1989

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For Release: Tuesday, January 2, 1990

COLD WEATHER RAISES TEMPORARY INFLATION FEARS

NOTE: The tables in this publication have a new format. Most of our subscribers were calculating some of the quarterly changes that are now included. Also, twelve month changes are presented at the end of each projection. We also decided to return to our timing of releasing the publication the week following the release of personal income. As a result, all the data for the month of the projection will remain to be released. (As some of you may know, the month of the projections is not the month of release but the month for which new data is being estimated. Thus, the December projections mean that data for December, most of which will be released in January, is in this report.) Because of the shift in timing of release, there will be no November PROJECTIONS. Subscribers will have their renewal dates adjusted for this change. We hope these changes will aid your use of this report. We also intend to place these reports in your hands early in the week of the employment report.

Slow industrial activity had reduced commodity inflation to meaningless dimensions by early December. The Journal of Commerce index of sensitive prices peaked in excess of 107 early in October and fell to 102 by mid-December. Falling capacity utilization was setting the stage for no significant commodity inflation in 1990. Of course, wage pressures would insure continued inflationary pressures in the service sector, but the outlook for a significant slowing in inflationary pressures appeared to be developing.

Then, an early and cold winter developed. Because of unusually mild weather the past two winters, refiners were tardy in building up their heating fuel supplies. Natural gas production remained about 1 trillion BTUs above recent usage. Exploration had eased, leading to slight declines in ability to deliver gas, but a mild winter would provide no difficulty in meeting all home and industrial needs without interruption. Unfortunately, the temperature has been 20 degrees below normal during December. Meteorologists say this is caused by a shifting jet stream rather than an unusually cold polar cap. Therefore, more normal weather is likely during the remainder of winter. Nevertheless, damage has been inflicted upon the citrus crops in Florida and the Rio Grande. Vegetables also are affected. Furthermore, some interruption of natural gas service has caused price increases of 35-40 cents at the wellhead, while fuel oil prices have more than doubled.

Fortunately, most December prices already were recorded before these conditions developed. As a result, The December **CPI** should increase only 0.3% while the December **PPI** will rise a moderate 0.6%. However, unless current fruit, vegetable, and fuel prices reverse sharply, the January **CPI** will rise 0.5% while the February price increase could be in excess of 0.6%. A January **PPI** in double digits now seems likely. Therefore, the moderating inflationary pressures will be cancelled by the cold weather.

The loss of vegetable and citrus production will add to prices in those commodities for the next year, although ample supplies of oranges are available in Brazil. Higher heating needs will reduce capacity excesses in petroleum and may eliminate them for natural gas. Thus, somewhat higher prices are likely in those sectors because of this winter. Nevertheless, some price moderation is almost certain when the heating demand eases during the spring. Therefore, while the winter probably has added 0.8 percentage points to the **CPI** and 1.5 percentage points to the **PPI** during the next three months, the increase for the year should be less the 0.3 percentage points for the **CPI** and 0.8 percentage points for the **PPI**. Thus, moderate price changes should re-appear in the spring.

Cold weather is similar to a mild supply shock. Initially, consumers will suffer involuntary purchases as they pay whatever is necessary to remain warm. This is at the expense of savings and consumer durables. Thus, the cold weather probably will extend the auto slump. The reduced real purchasing power during the winter increases the likelihood that economic activity will turn negative at that time. When prices ease during the spring, economic activity should spurt, but not to recapture all the lost activity. Therefore, economic activity will grow less next year than originally expected.

Supply shocks normally create some upward pressures on interest rates. Normally, the increases are in sensitive short-term rates. However, the Federal Reserve appears to be worrying, correctly, about the slowness of economic activity, and has been engineering a reduction in short-term rates. Long-term investors have worried about the increased inflation and the falling short-term rates and have sold-off their long-term holdings. However, unless the supply shock leads to fundamental changes, such as the exhaustion of heating resources, very little upward pressure should develop in underlying inflation. Therefore, little interest rate change should be justified. Therefore, the current setback in the bond market is expected to be temporary. As interest rates resume their downward slide, a stock market rally could develop. Of course, profits will be squeezed except for resource companies. Therefore, higher equity values are not justified. Thus, some correction in equity values should develop following an early rally in the market.

Monthly Statistical Highlights

	Dec 1989	Jan 1990	Feb 1990
Payroll Employment	+144,000	+131,000	+114,000
Index of Hours Worked	+0.1%	+0.2%	+0.2%
Household Employment	+156,000	+144,000	+90,000
Civilian Unemployment Rate	5.4%	5.5%	5.6%
Personal Income	+0.5%	+0.4%	+0.6%
Savings Rate	6.0%	6.0%	6.0%
Personal Consumption	+0.6%	+0.5%	+0.6%
Retail Sales	+0.3%	+0.6%	+0.5%
Auto Sales	8.5*	9.4*	9.7*
Housing Starts	-4.2%	+3.9%	+1.6%
Housing Permits	-5.0	+0.9%	+1.2%
Construction Expenditures	+0.1%	-0.4%	-0.0%
Business Inventories	+0.4%	+0.4%	+0.4%
Orders for Durable Goods	-3.0%	-2.0%	+0.6%
Orders - Nondefense Capital Goods	-6.6%	-1.4%	+0.9%
Industrial Production	+0.2%	-0.4%	-0.1%
CPI	+0.3%	+0.6%	+0.6%
PPI	+0.6%	+0.9%	+0.7%
Consumption Deflator	+0.3%	+0.4%	+0.4%
Leading Indicators	+0.3%	+0.1%	+0.2%
Currency Index	-2.0%	-0.2%	+0.3%
Equity Index	+2.3%	+2.4%	+0.9%
Real GNP (annual rate)	+1.4%	-1.1%	+0.9%
M1 (annual rate)	+6.4%	+7.5%	+5.7%
M2 (annual rate)	+6.1%	+5.7%	+6.0%

* auto sales in millions

COMMENTARY

EMPLOYMENT-Because the Boeing workers were never counted as out of the workforce, they will not add to the totals for December. They will improve the hours worked and the workweek estimates, however. The auto industry normally has extended plant closings for the holidays. Therefore, their inventory adjustment declines will not impact employment until January, when more than 100,000 should be on furlough. Some auto weakness should persist into February. As a result, the normally strong metals employment will be muted this time. The discrepancy between the growth of payroll employment and the reduction in household employment is difficult to explain. Also, our implied labor force appears to be growing more rapidly even as employment is slowing. This added worker effect probably is overstated. Therefore, the sharp rise in unemployment early in 1990 may not materialize. Although the hourly earnings index accelerated slightly early this year, changes are in line with recent experience as employment opportunities slow.

In the past month, a sharp discrepancy between payroll employment and hours worked suggests that employment conditions are weaker than suggested by the 210,000 gain in payrolls. Even with the return of Boeing, growth in hours worked is expected to remain slow through the winter.

PERSONAL INCOME AND OUTLAYS-Despite little growth in wages and salaries during November, wage recipients are doing well during the fourth quarter. Of course, part of that is caused by the special bonus at Ford in October. The surge in savings is caused by the end of disasters, which lowered imputed income. More predictable changes in savings are expected in the next few months. The savings rate currently is on the long-term trend of 6%. Some upward drift is expected from that level, but no surge in savings is expected without any serious fears of rising layoffs.

Auto sales are weaker than expected by timing shifts alone. Apparently, the 1990 cars are simply too expensive. Price incentives are expected to become widespread in January, which should stimulate car sales. However, the dollar increases in auto sales will be much smaller because of the size of incentives needed to generate sales. The auto industry is expected to follow this crazy pricing pattern again when the 1991s are introduced.

Cold weather will be partially reflected in nondurable sales, but fuel oil is counted in nondurable consumption but not retail sales. Therefore, some differences should be observed in the growth of those two components during these winter months. Weather also is a factor in utility purchases in the service sector. Assuming a return to normal temperatures for the remainder of the winter, the surge in services consumption should be followed by less than normal services purchases early in the year. Of course, the rebound in consumer spending during the first quarter depends upon strong auto purchases and some additional purchases of fuel oil. Obviously, if the price incentives do not materialize, auto sales will not rebound, and economic activity will be decidedly weaker early in the year.

CONSTRUCTION-Weather should impact housing activity during December. Because ample permits are available, permits also should fall significantly. Activity should improve as weather returns to more normal patterns. We have included multi-family starts to better indicate the performance in housing activity. Because interest rates are expected to rise later in the year, housing should again slow before the end of the year.

Despite the weather, construction is expected to grow modestly as a result of a surge in public expenditures to replace destroyed property. This construction bubble should vanish during the first quarter. For the year, construction activity is expected to show little real growth.

BUSINESS ACTIVITY-The surge in durable goods orders was a pleasant surprise. Nevertheless, orders have been trending downward and should continue to weaken modestly early next year. The rebound in defense shipments during 1990 is an aberration that should not persist as defense activity is slowed. Although aircraft continue to provide most of the gains in orders, the November performance was widespread, suggesting that the slump in manufacturing activity could be short-lived. The fourth quarter weakness in shipments is from the Boeing strike, which has been settled. Thus, some catch-up is expected early this year.

Although industrial activity is weak, strikes and natural disasters appear to account for the fourth quarter dip. Autos will be responsible for declines during the winter. Consumer purchasing should pick up by the spring, allowing an increase in industrial activity.

The quarterly growth in business inventories is not extensive. However, business sales have been even more sluggish. This is why some economists believe an inventory correction is developing. If sales rebound, however, no inventory excesses except in autos and related industries is expected.

PRICES-Cold weather will distort prices in the next few months. The impact upon inflation for the next year, however, is slight. Unfortunately, a developing moderation in commodity prices will be stalled by the cold weather. Also, if normal weather does not return in January, further adjustments in the inflationary outlook will be necessary. The November CPI was distorted by a lagged response to auto pricing. Some price moderation now is expected. Also, some air prices should fall early in the year. Although citrus prices are rising spectacularly, they constitute only 0.3% of the consumer price index. Thus, a doubling of citrus prices merely adds 0.3% to consumer prices, and such prices should not remain that high for the entire year.

The discrepancy between the CPI and the consumption deflator is the result of composition shifts. Falling auto consumption has increased the deflator, while a rebound in auto purchases should cause moderation in the deflator.

MISCELLANEOUS-Economic activity appears to have stalled during the fall and should remain quiet during the winter. However, a modest rebound is expected during the spring. The surge in fuel prices is reflected in the IVA estimates during the winter. This could lead to some stress borrowing, but the Federal Reserve currently is expected to continue moving interest rates downward.

Deterioration in the merchandise trade balances is the result of reduced competitiveness rather than any strength in the domestic economy. However, the dollar has begun declining in value. Further dollar weakness should restore some of that competitiveness. Also, domestic weakness probably will slow the flow of imports.

The leading indicators are holding, but they are not signalling any serious decline ahead. Modest increases are expected in those indicators as a result of more rapid money growth, a favorable equities market, and growing orders.

FINANCIAL MARKETS

Some stress borrowing during the winter could delay any further decline in interest rates until the spring. However, a sluggish economy still should lead to further interest rate declines in the next few months. Indeed, economic activity basically has stalled. Federal Reserve easing is anticipated, as they should recognize that much of the weather price changes are temporary and do not indicate accelerating underlying inflation. However, once the economy begins growing again, the Federal Reserve is expected to show concern about inflation, and could again tighten credit conditions.

The household sector probably will gradually reduce savings to pay for fuel oil and to maintain consumption patterns in light of reduced employment opportunities. Layoffs should be concentrated in only a few occupations, but some stress borrowing is possible during the winter. Housing financing should ease late in the year.

Stress borrowing is more likely by corporations early in 1990. Although inventories are under control, rising fuel costs could place borrowing burdens on the stockpiling of energy materials. Thus, some upward pressures in short-term interest rates would develop during the winter in the absence of Federal Reserve support.

Foreigners will increasingly find alternatives to American assets for their investments. Therefore, asset values should mark time in 1990. After falling early in the year, the prime rate could again rise as the year progresses.

EQUITY MARKETS-This bull market is approaching its last hurrah. Despite sharp declines in profits, falling interest rates have raised equity values. Further interest rate declines and some moderation in the drop of adjusted profits could lead to a rally as the new year begins. However, this is not a signal that the new year will be prosperous but rather the last upward move in this market. As soon as short-term interest rates begin rising, equities should be aggressively liquidated in anticipation of stock value erosion. A serious decline is not expected, but some weakness is likely.

Utilities continue to outperform this market and should provide a hedge against any serious erosion in value. Unfortunately, real estate problems have negated the favorable spreads developing for financial institutions. Although some regional institutions should do well, caution should be followed for financials.

A rebound in technology stocks is not expected until the second half of the year. Cyclical issues also should do poorly until the recession issue is resolved following the winter quarter. Obviously, natural gas issues have potential, but the market already has fairly priced those issues. Oil exploration and gas pipeline issues are preferred at this juncture.

A 5% appreciation is expected early this year, followed by slow downward drift through the remainder of the year.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	PROJ.	% change
July	108767		129.2		117459		5.2	9.69	
August	108887	2.1	128.5	2.3	117597	0.7	5.2	9.69	4.5
September	109096		128.9		117456		5.3	9.77	
October	109189		129.2		117545		5.3	9.81	
November	109399	1.7	129.0	0.7	117786	0.9	5.4	9.80	4.2
December	109543*		129.1*		117942*		5.4	9.84*	
January 1990	109674		129.3		118086		5.5	9.88	
February	109788	1.5	129.5	1.0	118176	1.5	5.6	9.92	4.3
March	109926		129.5		118314		5.6	9.96	
April	110053		129.7		118422		5.7	9.99	
May	110222	1.6	129.8	1.2	118573	1.4	5.7	10.02	4.2
June	110407		130.0		118779		5.6	10.06	
July	110556		130.2		118940		5.6	10.10	
August	110716	1.8	130.3	1.5	119073	1.6	5.7	10.13	4.3
September	110884		130.5		119210		5.7	10.16	
October	111006		130.6		119333		5.8	10.20	
November	111153	1.6	130.7	1.5	119498	1.5	5.8	10.24	4.3
December	111328		130.9		119713		5.7	10.27	
Change Dec(90)/Dec(89)		1.6		1.4		1.5			4.4
Change Dec(89)/Dec(88)		2.3		1.9		1.5			4.1

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
July	4.444		2.645		209.8		3.799		3.589	
August	4.457	5.1	2.651	7.2	183.7	-10.8	3.809	6.5	3.625	7.5
September	4.467		2.668		191.8		3.813		3.622	
October	4.503		2.698		226.9		3.843		3.616	
November	4.541	7.4	2.700	7.9	235.8	99.5	3.878	7.1	3.642	3.2
December	4.564*		2.715*		232.9*		3.897*		3.664*	
January 1990	4.583		2.731		235.8		3.918		3.682	
February	4.610	6.5	2.749	6.4	238.4	12.3	3.942	7.3	3.704	7.0
March	4.632		2.762		241.9		3.964		3.722	
April	4.657		2.778		234.1		3.974		3.740	
May	4.678	6.1	2.790	6.7	240.9	-3.1	4.004	5.9	3.763	6.6
June	4.696		2.808		235.5		4.018		3.783	
July	4.724		2.825		238.3		4.042		3.804	
August	4.747	6.2	2.839	7.0	237.0	0.1	4.061	6.5	3.824	6.6
September	4.772		2.854		240.9		4.082		3.841	
October	4.794		2.870		245.6		4.104		3.858	
November	4.818	6.1	2.885	6.6	246.6	11.8	4.125	6.4	3.878	6.1
December	4.844		2.901		244.3		4.147		3.903	
Change Dec(90)/Dec(89)		6.1		6.9		4.9		6.4		6.5
Change Dec(89)/Dec(88)		8.5		7.9		44.5		8.1		6.4

PROJ. includes current information until the * and then projections by month thereafter.
% change is the annualized percentage change from the previous quarter.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
July	3485.3		478.4		1130.0		1877.0		2673.3	
August	3521.2	7.6	498.9	13.4	1129.7	3.6	1892.6	8.7	2703.3	5.6
September	3517.8		480.9		1134.6		1902.3		2693.8	
October	3511.5		457.6		1133.0		1920.8		2671.4	
November	3537.7	3.2	459.5	-19.5	1145.5	4.1	1932.8	9.3	2682.4	-1.3
December	3559.4*		464.0*		1149.8*		1945.6*		2690.6*	
January 1990	3577.3		467.9		1153.5		1955.9		2696.2	
February	3598.4	7.1	470.8	8.6	1158.7	5.7	1968.9	7.6	2703.6	3.1
March	3616.6		471.2		1164.0		1981.4		2707.0	
April	3634.1		470.0		1168.8		1995.3		2710.2	
May	3656.9	6.6	474.6	3.1	1173.1	5.0	2009.2	8.5	2718.5	2.2
June	3676.3		476.1		1176.8		2023.4		2722.7	
July	3697.1		478.9		1182.0		2036.2		2729.6	
August	3717.0	6.7	480.3	4.8	1187.3	5.1	2049.4	8.2	2735.1	2.6
September	3733.7		478.3		1193.3		2062.1		2738.8	
October	3750.9		476.9		1198.6		2075.4		2743.4	
November	3770.4	6.2	478.1	0.3	1203.7	5.6	2088.6	7.9	2747.7	2.1
December	3794.2		483.5		1209.4		2101.3		2756.1	
Change Dec(90)/Dec(89)		6.6		4.2		5.2		8.0		2.4
Change Dec(89)/Dec(88)		6.5		-3.8		7.0		8.9		2.1

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
July	143.56		22.80		10.2		88.90		31.85	
August	144.86	7.5	23.15	3.6	11.5	21.1	88.98	5.1	32.72	17.2
September	145.29		22.89		10.6		89.43		32.97	
October	143.36		22.82		8.8		89.18		31.36	
November	144.56	-0.7	23.01	0.8	8.5	-59.2	90.02	3.6	31.52	-12.5
December	145.05*		23.14*		8.5*		90.46*		31.45*	
January 1990	145.88		23.06		9.4		90.83		31.99	
February	146.63	6.3	23.11	1.8	9.7	55.1	91.24	6.2	32.28	10.0
March	147.08		23.10		9.7		91.65		32.33	
April	147.32		23.14		9.6		92.03		32.15	
May	148.21	4.3	23.22	2.3	9.9	10.0	92.37	5.0	32.62	3.7
June	148.67		23.30		10.0		92.66		32.71	
July	149.41		23.37		10.4		93.07		32.97	
August	149.99	5.0	23.35	3.4	10.8	25.3	93.49	5.1	33.15	4.0
September	150.23		23.53		10.0		93.96		32.74	
October	150.49		23.65		9.3		94.38		32.46	
November	151.03	3.6	23.87	7.1	9.2	-33.2	94.78	5.6	32.38	-4.3
December	152.11		23.95		9.7		95.23		32.93	
Change Dec(90)/Dec(89)		4.9		3.5		14.1		5.3		4.7
Change Dec(89)/Dec(88)		4.5		3.5		-25.4		6.5		-1.1

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CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
July	1.420		1.026		0.394		1.281	
August	1.329	-4.3	0.990	1.2	0.339	-18.2	1.328	-6.0
September	1.264		0.971		0.293		1.319	
October	1.428		1.024		0.404		1.356	
November	1.361	8.2	1.015	4.8	0.346	18.7	1.333	2.9
December	1.304*		0.983*		0.321*		1.267*	
January 1990	1.355		1.013		0.342		1.278	
February	1.377	1.8	1.021	4.9	0.356	-6.6	1.293	-7.9
March	1.379		1.024		0.355		1.304	
April	1.377		1.033		0.344		1.301	
May	1.394	4.0	1.038	6.6	0.356	-3.0	1.316	5.2
June	1.381		1.036		0.345		1.307	
July	1.398		1.044		0.354		1.313	
August	1.395	2.8	1.036	-0.3	0.359	12.4	1.316	1.0
September	1.388		1.025		0.363		1.305	
October	1.369		1.026		0.343		1.284	
November	1.361	-8.4	1.007	-8.5	0.354	-8.3	1.281	-8.3
December	1.360		1.004		0.356		1.285	
Change Dec(90)/Dec(89)	4.3		2.1		10.9		1.5	
Change Dec(89)/Dec(88)	-17.3		-13.8		-26.4		-16.5	

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
July	133.7		81.6		194.3		409.6		341.7	
August	137.9	9.3	84.2	5.7	193.6	-14.7	415.8	-3.4	343.1	-7.3
September	137.6		86.5		191.8		415.9		342.8	
October	138.4		88.0		193.6		420.1		345.9	
November	139.5*	8.6	88.3*	20.2	196.5*	5.3	424.3*	9.3	348.4*	5.6
December	139.8		87.9		197.2		424.9		347.4	
January 1990	139.1		85.6		198.3		423.0		345.0	
February	138.8	-1.1	85.8	-12.1	198.2	7.1	422.8	0.1	343.5	-3.7
March	138.6		84.4		200.9		423.9		343.5	
April	139.3		84.7		202.5		426.5		344.5	
May	139.1	0.4	85.1	-0.6	203.9	10.2	428.1	4.4	344.4	0.3
June	138.5		85.6		204.6		428.7		343.8	
July	138.6		86.2		206.7		431.5		344.9	
August	139.2	0.5	86.5	6.7	206.8	6.9	432.5	5.1	344.9	0.9
September	139.6		86.9		208.8		435.3		346.0	
October	140.1		87.3		208.5		435.9		345.4	
November	139.7	2.7	87.6	5.3	207.9	3.4	435.2	2.6	344.0	-0.9
December	140.4		88.1		208.1		436.6		344.1	
Change Dec(90)/Dec(89)	0.4		0.2		5.5		2.8		-0.9	
Change Dec(89)/Dec(88)	4.5		-1.0		-2.6		-0.0		-4.3	

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
July	370.8		122.03		41.45		34.26	
August	371.5	6.8	126.77	-4.2	37.13	-9.6	36.15	8.9
September	370.9		125.23		35.34		35.73	
October	371.9		124.35		35.99		34.16	
November	373.6*	2.8	130.68	8.5	38.99	-8.6	33.90	-12.1
December	375.3		126.75*		36.42*		34.72*	
January 1990	377.0		124.22		35.92		35.32	
February	378.4	5.2	124.94	-8.2	36.23	-10.7	35.47	14.9
March	379.6		124.53		36.14		35.63	
April	381.2		124.78		36.25		35.69	
May	382.9	5.0	124.86	1.2	36.55	5.6	35.86	4.2
June	384.7		125.18		36.98		35.97	
July	386.6		125.56		37.03		36.11	
August	388.5	5.9	125.76	2.2	36.85	3.4	36.28	5.0
September	390.2		125.59		36.82		36.45	
October	392.5		125.87		36.51		36.62	
November	394.5	6.3	125.90	-0.2	36.56	-0.2	36.78	3.8
December	396.2		124.98		36.57		36.47	
Change Dec(90)/Dec(89)		6.0		-1.4		0.4		5.0
Change Dec(89)/Dec(88)		5.6		-4.1		-7.6		6.3

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
July	787.6		8.19		141.9		83.7	
August	790.4	6.8	8.94	-3.0	142.5	1.1	83.9	-1.9
September	790.6		9.23		142.1		83.4	
October	793.9		8.36		141.3		82.8	
November	797.0*	3.9	8.81	-5.4	141.5	-1.8	82.7	-4.4
December	800.5		8.83*		141.8*		82.7*	
January 1990	803.6		8.89		141.3		82.2	
February	806.7	4.9	8.96	14.1	141.1	-0.8	82.0	-3.3
March	810.0		9.02		141.3		81.9	
April	813.5		8.74		141.5		81.8	
May	816.8	5.1	8.93	-2.7	141.6	1.1	81.6	-1.9
June	820.2		9.02		141.8		81.5	
July	824.2		9.05		142.0		81.5	
August	827.9	5.5	8.87	7.5	142.1	1.4	81.3	-1.5
September	831.5		9.26		142.3		81.2	
October	836.3		8.54		142.5		81.2	
November	840.7	6.2	8.97	-8.4	142.7	1.5	81.1	-1.1
December	844.3		9.08		142.8		81.0	
Change Dec(90)/Dec(89)		5.5		2.8		0.7		-2.1
Change Dec(89)/Dec(88)		6.2		-12.5		1.0		-1.7

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
July	124.5		113.5		112.2		126.7	
August	124.5	2.4	113.1	-0.6	111.4	-1.3	126.8	3.2
September	124.7		114.1		111.9		127.1	
October	125.3		114.6		112.4		127.8	
November	125.8	3.9	114.5	4.3	112.2	2.3	128.3	4.5
December	126.2*		115.2*		112.8*		128.7	
January 1990	127.0		116.2		113.7		129.1	
February	127.8	6.0	117.0	7.2	114.5	6.3	129.5	4.0
March	128.2		117.1		114.4		130.0	
April	128.5		116.9		114.6		130.4	
May	128.9	3.8	117.2	1.5	115.2	3.4	130.9	4.3
June	129.3		117.5		115.7		131.3	
July	129.7		117.8		116.2		131.8	
August	130.2	4.1	118.3	3.8	116.5	3.0	132.2	4.1
September	130.7		118.8		115.4		132.6	
October	131.1		119.2		116.7		133.0	
November	131.5	4.1	119.5	4.1	117.1	3.8	133.5	3.9
December	131.9		119.8		117.6		133.9	
Change Dec(90)/Dec(89)		4.5		4.0		4.3		4.0
Change Dec(89)/Dec(88)		4.7		4.7		4.3		4.0

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
July	130.4		111.3		123.3		141.4		119.9	
August	130.3	2.1	111.6	1.9	122.5	-1.4	141.9	4.1	121.2	4.2
September	130.6		111.2		122.8		142.2		121.3	
October	131.4		110.9		123.8		143.0		121.4	
November	131.9	5.0	111.2	-0.7	124.3	4.6	143.4	4.6	121.8*	3.5
December	132.3*		111.4*		124.7*		143.9*		122.3	
January 1990	132.7		111.5		125.1		144.4		122.6	
February	133.1	3.4	111.7	2.1	125.5	4.0	144.9	4.2	123.1	4.0
March	133.6		112.0		125.9		145.5		123.4	
April	134.1		112.4		126.3		146.0		123.8	
May	134.5	4.4	112.7	3.5	126.7	3.9	146.5	4.5	124.3	4.1
June	135.1		113.0		127.1		147.1		124.7	
July	135.5		113.4		127.4		147.6		125.1	
August	135.9	4.1	113.5	2.5	127.8	3.5	148.2	4.6	125.4	3.8
September	136.4		113.3		128.2		148.8		125.8	
October	136.7		113.2		128.6		149.3		126.2	
November	137.3	3.9	113.3	-0.2	129.1	4.0	149.9	4.7	126.5	3.6
December	137.7		113.5		129.5		150.5		126.9	
Change Dec(90)/Dec(89)		4.1		1.9		3.8		4.6		3.8
Change Dec(89)/Dec(88)		4.3		-0.2		5.3		4.4		4.4

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.
July	-8.24		144.0		5255		4148		- 9.9
August	-10.10	-7.5	144.8	0.0	5286	6.2	4169	3.0	- 3.1
September	-8.51		145.2		5301		4171		- 5.9
October	-10.20		144.6		5318		4161		- 7.3
November	-9.76*	-36.2	144.6	0.2	5345	4.9	4166	0.3	- 8.9
December	-9.05		145.0*		5368		4171		-14.2
January 1990	-9.53		145.2		5380		4167		-20.3
February	-9.86	14.1	145.5	2.0	5401	4.5	4170	0.4	-20.1
March	-8.54		145.7		5426		4174		-16.2
April	-8.76		145.3		5448		4180		-14.5
May	-8.54	26.5	145.4	0.1	5477	5.5	4184	1.3	-14.7
June	-8.56		145.8		5500		4189		-15.7
July	-8.42		146.1		5536		4200		-18.8
August	-8.28	13.2	146.4	2.4	5556	6.2	4203	1.9	-21.3
September	-8.26		146.6		5583		4210		-24.9
October	-8.59		146.2		5613		4220		-27.2
November	-8.73	-15.4	145.7	-1.1	5642	6.2	4226	2.2	-25.6
December	-8.55		146.0		5671		4235		-23.6
Change Dec(90)/Dec(89)		5.5		0.7		5.6		1.5	
Change Dec(89)/Dec(88)		16.2		-0.1		6.5		2.4	

	Currency Index		Adjusted Profits		30-Year Government Bonds		New York Composite	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
July	99.12		175.5		8.31		185.15	
August	100.44	0.4	175.3	-6.8	8.22	-20.7	192.93	39.6
September	101.87		158.9		8.13		193.02	
October	98.92		155.7		8.00		192.49	
November	97.99	-10.8	159.9	-27.0	7.90	-14.0	188.50	1.9
December	96.05*		155.6		7.85*		192.76*	
January 1990	95.89		150.8		7.81		197.43	
February	96.15	-7.2	152.4	-11.6	7.79	-8.3	199.20	15.0
March	95.53		153.7		7.64		197.53	
April	94.26		156.6		7.70		193.42	
May	94.55	-6.8	154.8	10.0	7.73	-0.5	190.26	-12.2
June	93.72		156.5		7.78		191.43	
July	93.78		160.3		7.88		191.94	
August	92.29	-5.0	157.1	8.6	7.93	11.1	188.26	-3.1
September	92.85		160.3		8.02		190.45	
October	90.46		166.4		8.16		187.55	
November	90.66	-10.9	163.1	16.2	8.31	17.5	183.46	-8.8
December	89.86		166.5		8.34		186.67	
Change Dec(90)/Dec(89)		-6.4		7.0		6.2		-3.2
Change Dec(89)/Dec(88)		4.5		-20.2		-12.9		24.1

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
July	290.4		777.2		3117.5		9.24		7.61	
August	290.9	2.8	777.4	1.5	3136.5	7.5	8.99	-23.9	7.74	-26.9
September	292.5		781.1		3156.2		9.02		7.74	
October	293.2		787.7		3176.8		8.84		7.64	
November	293.3	4.1	790.0	6.3	3199.1	7.9	8.55	-19.6	7.69	-4.1
December	296.2*		794.1*		3214.8*		8.41*		7.52*	
January 1990	298.3		798.9		3229.7		8.17		7.36	
February	300.4	8.3	802.6	6.2	3245.3	6.4	7.93	-26.7	7.15	-20.9
March	301.8		806.3		3264.7		7.77		7.04	
April	303.3		810.5		3279.3		7.68		6.97	
May	305.2	6.7	814.7	6.1	3294.0	6.3	7.73	-11.4	7.02	-9.1
June	306.7		818.5		3315.8		7.75		7.05	
July	308.0		822.1		3331.4		7.79		7.08	
August	309.3	5.6	825.7	5.6	3347.5	6.4	7.83	6.2	7.12	7.4
September	310.5		829.3		3365.9		7.89		7.22	
October	311.4		831.3		3380.7		8.11		7.37	
November	312.5	4.3	833.5	3.7	3394.1	5.0	8.36	27.7	7.53	23.7
December	313.7		835.1		3407.8		8.52		7.69	
Change Dec(90)/Dec(89)		5.9		5.2		6.0		1.3		2.3
Change Dec(89)/Dec(88)		3.8		0.5		4.7		-4.0		-8.5

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
July	8.94		6.96		8.68		8.76		10.98	
August	8.96	-20.1	7.06	-8.5	8.57	-30.2	8.64	-31.0	10.50	-22.4
September	9.01		7.26		8.70		8.78		10.50	
October	8.92		7.22		8.53		8.60		10.50	
November	8.89	-3.5	7.14	1.5	8.35	-8.9	8.39	-9.7	10.50	-5.9
December	8.86*		7.00*		8.47*		8.53*		10.50*	
January 1990	8.79		6.93		8.23		8.31		10.03	
February	8.77	-7.0	6.90	-12.8	8.01	-18.0	8.10	-16.7	10.00	-18.7
March	8.63		6.81		7.88		7.97		9.88	
April	8.66		6.84		7.79		7.88		9.50	
May	8.63	-2.9	6.80	-2.5	7.75	-11.7	7.83	-11.3	9.50	-17.6
June	8.71		6.87		7.84		7.95		9.50	
July	8.88		7.01		7.79		7.87		9.50	
August	8.95	14.4	7.10	16.8	7.85	3.1	7.96	3.6	9.50	4.9
September	9.06		7.21		7.92		8.04		9.84	
October	9.17		7.25		8.12		8.24		10.00	
November	9.28	14.2	7.34	13.6	8.46	31.1	8.59	31.5	10.26	29.4
December	9.35		7.42		8.63		8.73		10.50	
Change Dec(90)/Dec(89)		5.5		6.0		1.9		2.3		0.0
Change Dec(89)/Dec(88)		-7.4		-8.0		-7.0		-7.8		0.0

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
July	290.4		777.2		3117.5		9.24		7.61	
August	290.9	2.8	777.4	1.5	3136.5	7.5	8.99	-23.9	7.74	-26.9
September	292.5		781.1		3156.2		9.02		7.74	
October	293.2		787.7		3176.8		8.84		7.64	
November	293.3	4.1	790.0	6.3	3199.1	7.9	8.55	-19.6	7.69	-4.1
December	296.2*		794.1*		3214.8*		8.41*		7.52*	
January 1990	298.3		798.9		3229.7		8.17		7.36	
February	300.4	8.3	802.6	6.2	3245.3	6.4	7.93	-26.7	7.15	-20.9
March	301.8		806.3		3264.7		7.77		7.04	
April	303.3		810.5		3279.3		7.68		6.97	
May	305.2	6.7	814.7	6.1	3294.0	6.3	7.73	-11.4	7.02	-9.1
June	306.7		818.5		3315.8		7.75		7.05	
July	308.0		822.1		3331.4		7.79		7.08	
August	309.3	5.6	825.7	5.6	3347.5	6.4	7.83	6.2	7.12	7.4
September	310.5		829.3		3365.9		7.89		7.22	
October	311.4		831.3		3380.7		8.11		7.37	
November	312.5	4.3	833.5	3.7	3394.1	5.6	8.36	27.7	7.53	23.7
December	313.7		835.1		3407.8		8.52		7.69	
Change Dec(90)/Dec(89)		5.9		5.2		6.0		1.3		2.3
Change Dec(89)/Dec(88)		3.8		0.5		4.7		-4.0		-8.5

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change	PROJ.	% change
July	8.94		6.96		8.68		8.76		10.98	
August	8.96	-20.1	7.06	-8.5	8.57	-30.2	8.64	-31.0	10.50	-22.4
September	9.01		7.26		8.70		8.78		10.50	
October	8.92		7.22		8.53		8.60		10.50	
November	8.89	-3.5	7.14	1.5	8.35	-8.9	8.39	-9.7	10.50	-5.9
December	8.86*		7.00*		8.47*		8.53*		10.50*	
January 1990	8.79		6.93		8.23		8.31		10.03	
February	8.77	-7.0	6.90	-12.8	8.01	-18.0	8.10	-16.7	10.00	-18.7
March	8.63		6.81		7.88		7.97		9.88	
April	8.66		6.84		7.79		7.88		9.50	
May	8.63	-2.9	6.80	-2.5	7.75	-11.7	7.83	-11.3	9.50	-17.6
June	8.71		6.87		7.84		7.95		9.50	
July	8.88		7.01		7.79		7.87		9.50	
August	8.95	14.4	7.10	16.8	7.85	3.1	7.96	3.6	9.50	4.9
September	9.06		7.21		7.92		8.04		9.84	
October	9.17		7.25		8.12		8.24		10.00	
November	9.28	14.2	7.34	13.6	8.46	31.1	8.59	31.5	10.26	29.4
December	9.35		7.42		8.63		8.73		10.50	
Change Dec(90)/Dec(89)		5.5		6.0		1.9		2.3		0.0
Change Dec(89)/Dec(88)		-7.4		-8.0		-7.0		-7.8		0.0

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